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ABSTRACT

The Hawkins-Stafford Elementary and Secondary School Improvement Amendments of 1988 (Public Law 81-815) provides federal funds for constructing and renovating schools in districts that educate "federally connected" children, such as those whose parents live and/or work on military installations and Indian reservations. A study was done to review the program for school districts affected by federal activities. Data were collected from a random sample of 58 of the 178 unfunded Department of Education projects from fiscal year 1988. Department records show that as of fiscal year 1988, the estimated funding gap was about $200 million. The Department's criteria for computing priority numbers of eligible projects and ranking projects are equitable, but the Department does not periodically reevaluate these scores once projects are ranked on waiting lists. It is recommended that: (1) Congress amend Public Law 81-815 to require that school construction payments to eligible districts be based on average state per pupil construction costs; and (2) that the Secretary of Education require school districts to apply annually for school construction aid to ensure that project requests reflect current data. It is further suggested that Congress might want to consider authorizing the Secretary of Education to distribute appropriations among a greater number of projects. (MLF)

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United States General Accounting Office

GAO

Report to Congressional Requesters

July 1990

IMPACT AID

Most School Construction Requests Are Unfunded and Outdated

LC 022 248

GAO

United States
General Accounting Office
Washington, D.C. 20548

Human Resources Division

B-237176

July 12, 1990

The Honorable Edward M. Kennedy
Chairman, Committee on Labor
and Human Resources
United States Senate

The Honorable Larry Pressler
United States Senate

The Hawkins-Stafford Elementary and Secondary School Improvement Amendments of 1988 directed us to review the federal school construction program for school districts affected by federal activities. This program (authorized by P.L. 81-815) provides federal funds for constructing and renovating schools in districts that educate "federally connected" children, such as those whose parents live and/or work on military installations and Indian reservations. These funds are used to provide classrooms and classroom equipment to qualifying school districts. The Department of Education determines applicant eligibility, calculates the federal share of construction project costs,[1] and awards grants to school districts.

The Congress funded almost all eligible requests for school construction assistance between 1950 (when the program began) and 1967. However, since 1967, federal appropriations have been insufficient to fund the estimated federal share of all construction projects in federally impacted school districts. The continuing shortfall has resulted in a substantial backlog of eligible unfunded projects in districts with federally connected enrollment increases,[2] nontaxable federal property, children residing on Indian land, and Indian land. The Department ranks, for funding purposes, these unfunded projects in priority order based, in part, on the number of federally connected children eligible for payment in the school district.

As agreed with your offices, we determined (1) the gap between the eligible requests for school construction funds and the amount of available Public Law 81-815 funds and (2) whether the Department's criterion for ranking unfunded projects is equitable.

[1]For example, the federal share of school construction costs to certain eligible school districts is the product of the number of federally connected children eligible for payment and the state's average per pupil cost of school construction.

[2]"Enrollment" is referred to by the Department as "membership." If state law does not define membership, the Department defines it as the number of children listed on a school district's current enrollment records.

Results of Our Analysis

Department records show that as of fiscal year 1988, the estimated funding gap was about $200 million. This figure, however, is misleading because it includes the estimated federal costs of projects in school districts that may no longer be eligible for the program, as well as the costs of projects that are no longer needed by the districts. This figure also includes project cost estimates that have not been revised to reflect increased school construction costs. Therefore, the actual amount of the gap is unknown because the Department does not regularly reconfirm applicants' eligibility nor revise outdated funding estimates.

The Department's criteria for (1) computing priority numbers (scores) of eligible projects for funding purposes and (2) ranking projects are equitable, but the Department does not periodically reevaluate these scores once projects are ranked on waiting lists. Priority scores reflect federally connected enrollments and school construction needs when districts applied for assistance; however, most project requests are at least 12 years old. These project scores may be outdated and invalid because for many of the projects we reviewed, the school districts subsequently completed their projects without federal assistance. In addition, federally connected enrollments have declined in some districts. Thus, since the Department does not periodically reevaluate project priority scores to reflect this kind of information, it cannot provide the Congress with an accurate ranking of federally impacted schools with current school construction needs.

The law requires that those school districts that qualify for assistance based on federally connected enrollment increases receive payments based on the average state per pupil construction costs near the time of application. Because of increased construction costs, such school districts with projects that have been waiting for federal payments for many years will receive a smaller share of total construction costs than they would have received had they been funded promptly.

Recommendation to the Congress

We recommend that the Congress amend Public Law 81-815 to require that school construction payments to eligible school districts with federally connected enrollment increases (those eligible under section 5) be based on average state per pupil construction costs in the year these projects are funded. (See p. 20.)

Recommendation to the Secretary of Education

To ensure that the Congress and the Department have accurate information when they make program decisions, we recommend that the Secretary require school districts to apply annually for school construction assistance so that project requests reflect (1) school districts' current enrollments of federally connected children and school construction needs and (2) the current estimate of the federal share of school construction costs. (See p. 20.)

Matter for Consideration by the Congress

To provide federal assistance to more eligible school districts and thereby reduce the backlog of unfunded projects, the Congress may want to consider authorizing the Secretary of Education to distribute available appropriations among a greater number of higher-priority projects. This could be accomplished by reducing on a pro-rata basis funds awarded to school districts with the greatest school construction needs. (See p. 20.)

Agency Comments

The Department of Education generally agreed with our recommendation to the Congress. However, it said that our recommendation to the Secretary, requiring annual school construction applications, may also require a legislative change to implement.

The Department raised several concerns about the (1) disposition of currently unfunded projects if an annual process was instituted and (2) the administrative burden that such a process may place on school districts. The National Association of Federally Impacted Schools had similar comments about this recommendation.

Both the Department and the association disagreed with our suggestion to distribute limited program funds on a pro-rata basis. These and other comments along with our evaluation are included on pages 20-25 of this report. We made changes to the text where appropriate.

We are sending copies of this report to the Secretary of Education, appropriate congressional committees, the National Association of Federally Impacted Schools, and other interested parties. Please call me on

(202) 275-1793 if you or your staff have any questions about this report. Other major contributors are listed in appendix VIII.

Franklin Frazier

Franklin Frazier
Director, Education and
Employment Issues

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Impact Aid: Most School Construction Requests Are Unfunded and Outdated

Background

Public Law 81-815 was enacted to provide federal assistance to school districts that, after World War II, became responsible for educating the children of people who settled in communities to work on federal installations or for federal contractors. The program was designed to compensate school districts for (1) the cost of sudden increases in enrollments caused by federal activities in the community and (2) lost local revenues resulting from the nontaxable federal property supporting these activities and projects.[1]

Public Law 81-815 authorizes payments, for the federal share of urgently needed classrooms and classroom equipment, to school districts in several categories. The Congress appropriates funding each year for one or more of these categories. In the absence of specific appropriation language, the Department first funds projects in districts that

- have school facilities destroyed or damaged by major disasters;
- experience a temporary increase of at least 6 percent or 1,500 federally connected children for at least 1 year, but not more than 6 years; or
- are unable to use state and local funds to provide school facilities for federally connected children because of legal or other reasons.

Generally, all eligible requests in the program categories discussed above are funded each year. The Department uses the remaining appropriations to fund as many eligible projects as possible in school districts that

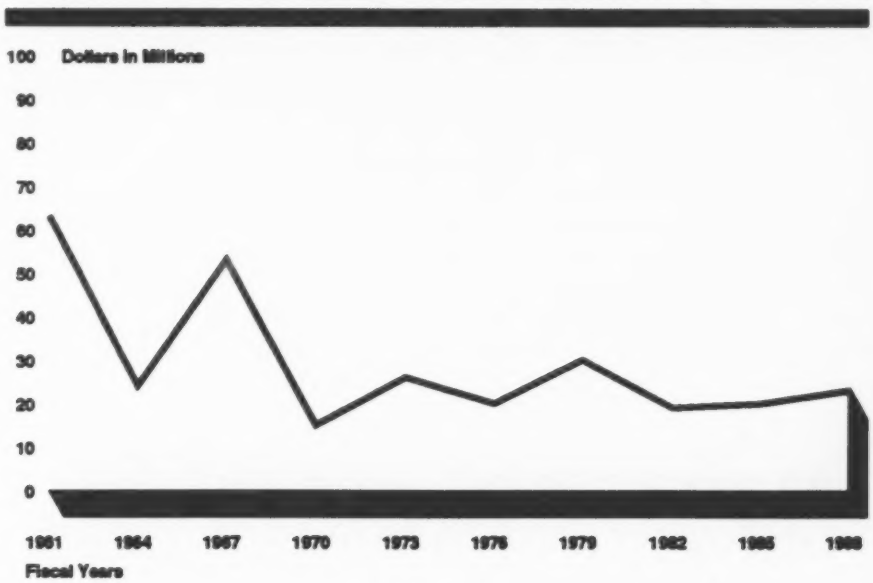
- contain at least 33-1/3 percent Indian land and/or that educate children residing on Indian land that make up at least 33-1/3 percent of the total enrollment;
- experience an increase of at least 6 percent or 1,500 federally connected children, whichever is less, over a 4-year period; or
- contain at least 33-1/3 percent nontaxable federal property (for example, national parks, military bases, and federally subsidized public housing) and that have at least 33-1/3 percent of their enrollment "unhoused" (the number of children over the capacity of the school facility).

See appendix II for a detailed description of these provisions.

[1] Property taxes are the primary source of local funds for constructing, operating, and maintaining schools.

Between fiscal years 1951 and 1967, annual appropriations for the school construction program ranged from about $24 million to $265 million and generally met all eligible project requests each year. Since 1967, however, appropriations have decreased substantially (see fig. I.1). For example, the fiscal year 1967 appropriation was $52.9 million,[2] but declined in fiscal year 1968 to $22.9 million and by 1970 to about $15 million. During fiscal years 1984-88, appropriations ranged from $20 million to $23 million, while project requests totaled over $200 million each year.[3]

Figure I.1: Appropriations Have Declined Significantly



How School Construction Projects Are Ranked

In its report on Senate bill S. 2317 (which subsequently became P.L. 81-815), the House Committee on Education and Labor recognized that appropriation shortfalls could arise because, for example, actual construction costs sometimes vary from estimates. The law therefore requires the Department to rank eligible unfunded projects on the basis of urgency of need when funding shortfalls occur. To comply with this requirement, the Department maintains two lists of eligible unfunded

[2]Public Law 90-218 froze obligations and expenditures at $24.1 million.

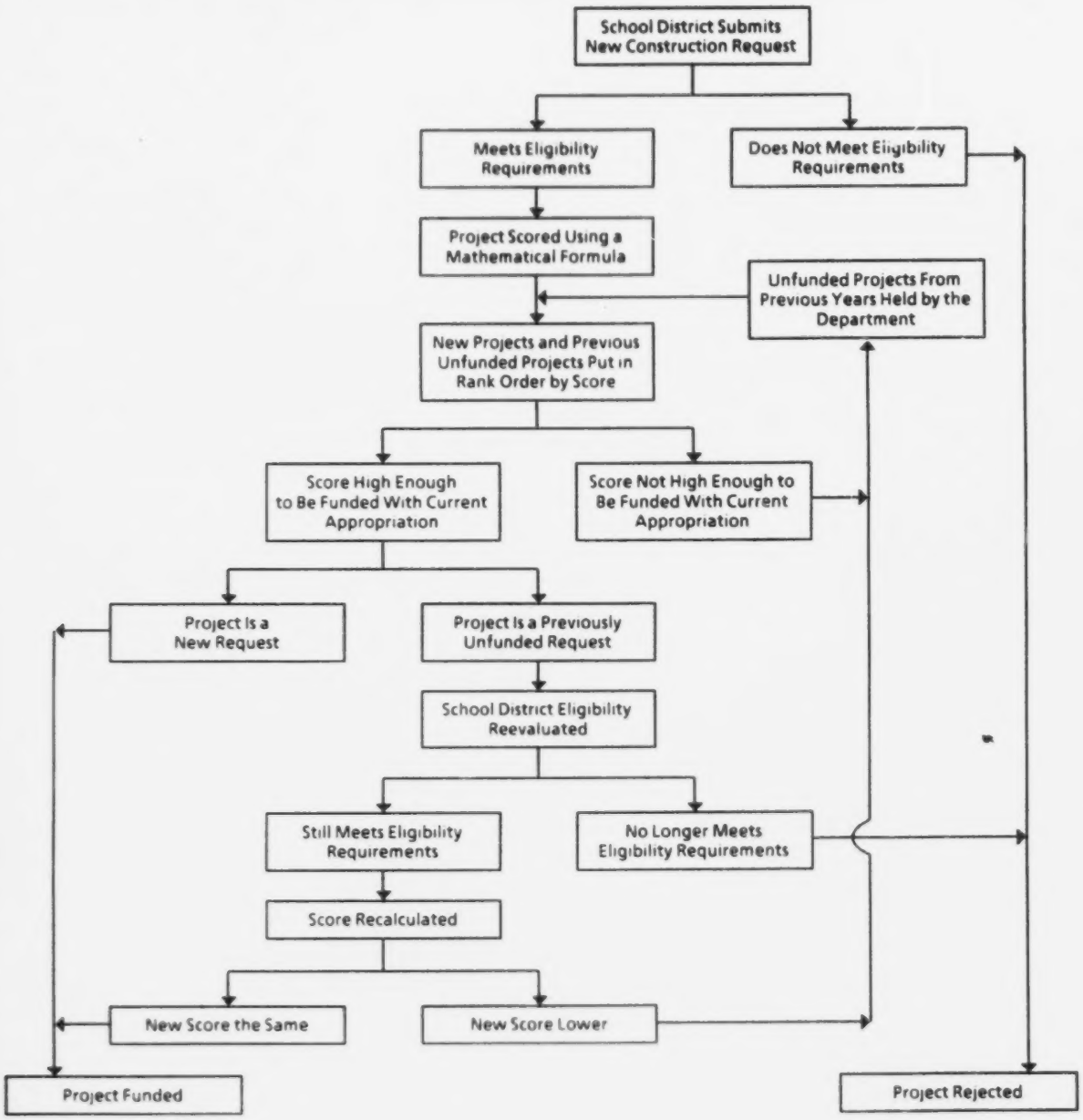
[3]"Project requests" are referred to by the Department as "pre-applications."

projects. One list includes projects in school districts with federally connected enrollment increases and nontaxable federal property, and the other list includes projects in districts with Indian land and children residing on Indian land. Projects on each list are arranged in priority order, beginning with the school district with the greatest need for school construction. To determine relative need, the Department calculates a priority number for each project. The project priority number is the sum of the percentage of (1) federally connected children eligible for payment and (2) unhoused children enrolled in the district (limited to not more than twice the first percentage).

When appropriations become available, the Department obligates funds beginning with the highest priority projects and continues down each list as far as available funds permit. The Department validates these projects' priority numbers by determining (1) the current number of federally connected children in each school district and (2) whether there is still a need for school construction.[4] A project generally retains its original priority number until appropriations become available to fund it, but its position on the list may change from year to year as new unfunded projects with higher priority numbers are added (see fig. I.2).

[4]If eligibility, school construction need, and funding priority are confirmed, school districts submit a second form, called the application. It provides the Department with construction budget and environmental impact information.

Figure I.2: Department of Education's Process for Evaluating a School Construction Request


School District Submits New Construction Request
Meets Eligibility Requirements
Does Not Meet Eligibility Requirements
Project Scored Using a Mathematical Formula
Unfunded Projects From Previous Years Held by the Department
New Projects and Previous Unfunded Projects Put in Rank Order by Score
Score High Enough to Be Funded With Current Appropriation
Score Not High Enough to Be Funded With Current Appropriation
Project Is a New Request
Project Is a Previously Unfunded Request
School District Eligibility Reevaluated
Still Meets Eligibility Requirements
No Longer Meets Eligibility Requirements
Score Recalculated
New Score the Same
New Score Lower
Project Funded
Project Rejected

Scope and Methodology

We focused our review on projects that compete for limited federal appropriations from districts with federally connected enrollment increases, nontaxable federal property, Indian land, and children residing on Indian land. For these projects we assessed (1) the gap between eligible requests for school construction assistance and the amount of program funds available and (2) the Department's procedures for determining the order of funding. To do this, we selected a systematic random sample of (1) 24 projects from the Department's fiscal year 1988 list of 74 eligible unfunded projects in Indian-impacted districts and (2) 34 projects from its fiscal year 1988 list of 104 unfunded projects in districts with federally connected enrollment increases and nontaxable federal property. This resulted in a total sample of 58 of the 178 eligible unfunded projects on the Department's two lists. We identified, for each project in our sample,

- the relative priority as of fiscal year 1988;
- the date the project request was filed;
- a description of the project;
- the estimated federal share of the project's cost determined by the Department of Education at the time the project request was filed; and
- the current status of each project. (See app. III.)

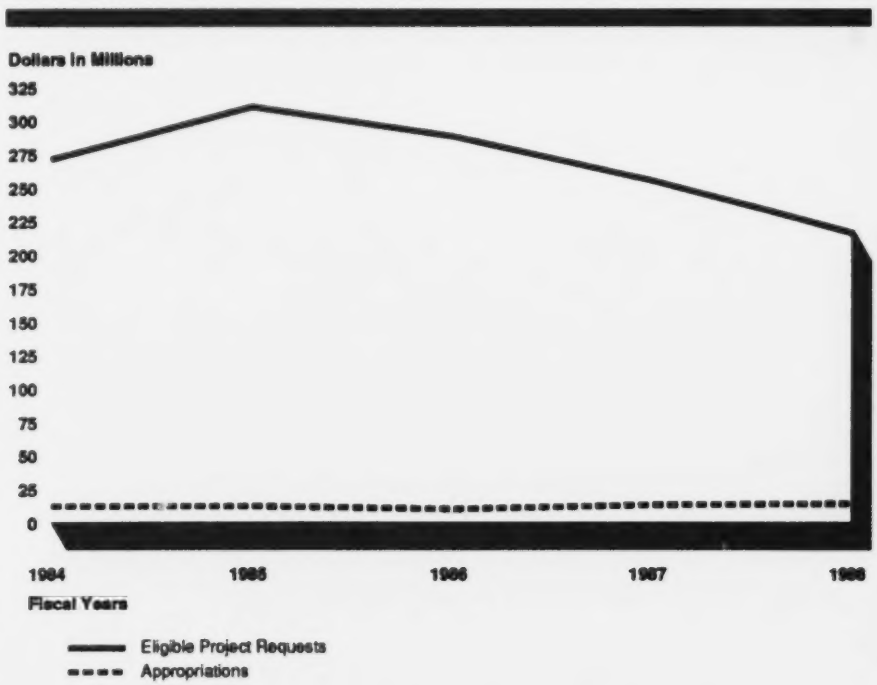
For all projects in our sample, we collected data for the first four items above from Department records. We collected information about the current status of our sampled projects by interviewing school district officials over the telephone. Some of the school districts we contacted had more than one eligible project in our sample. Some data were not available on 18 projects because, for example, the Department of Education had lost the project file or the school district was unable to provide any information about the project given its age. (See app. IV for a detailed explanation of our sampling methodology.)

We reviewed the legislative history of Public Law 81-815 and interviewed Department officials about (1) the program's eligibility and priority-setting criteria and (2) the Department's process for reevaluating projects waiting for funding. We also discussed the program with the executive director of the National Association of Federally Impacted Schools—a nonprofit association of federally impacted schools—and other education professionals. We conducted this review during the period September 1988 to December 1989 in accordance with generally accepted government auditing standards.

Most Eligible Projects Are Unfunded

As of fiscal year 1988, appropriation shortfalls had created a backlog of 178 eligible unfunded construction projects in school districts with federally connected enrollment increases, nontaxable federal property, Indian land, and children residing on Indian land. On the basis of Department records, total estimated federal payments for these projects could be about $216 million (see fig. I.3).

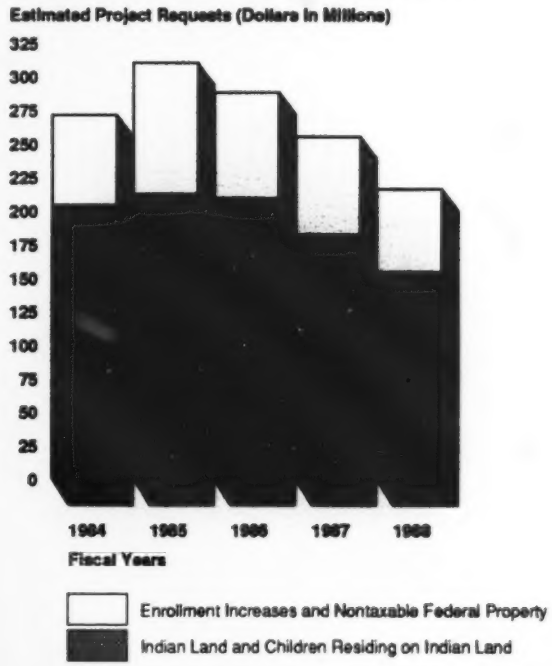
Figure I.3: Appropriations Fall Short of Eligible Requests



Note: The dollar amounts of eligible requests include unfunded requests from previous years. The Department retains eligible requests on priority lists until appropriations are sufficient to fund them.

Unfunded school construction requests from districts with Indian land and children residing on Indian land made up the greatest proportion of the backlog (see fig. I.4).

Figure I.4: Greatest Proportion of Funds Requested by Indian-Impacted School Districts



Over 65 percent of the 178 school construction projects on the two lists, as of fiscal year 1988, have been waiting for funding for over 12 years—15 projects have been unfunded since 1967. In fiscal years 1983-88, school construction program appropriations annually funded about 3 or 4 projects on each priority list.

About 79 percent of the unfunded projects in districts with federally connected enrollment increases and nontaxable federal property were determined eligible for program funds over 12 years ago (see table I.1).

Table I.1: Age of Unfunded Projects in School Districts With Federally Connected Enrollment Increases and Nontaxable Federal Property (Fiscal Year 1988)

Year of project request	Years on waiting list	Projects	Percent
1983-88	0–5	17	16.3
1977-82	6–11	5	4.8
1967-76	12–21	82	78.9
Total		**104**	**100.0**

Similarly, more than half of the projects in Indian-impacted school districts were determined eligible for federal assistance over 12 years ago (see table I.2).

Table I.2: Age of Unfunded Projects in School Districts With Indian Land and Children Residing on Indian Land (Fiscal Year 1988)

Year of project request	Years on waiting list	Projects	Percent
1983-88	0–5	13	17.6
1977-82	6–11	21	28.4
1967-76	12–21	40	54.0
Total		**74**	**100.0**

Department Practices Lead to Outdated Funding Priorities and Construction Estimates

The Department ranks requests for school construction projects based on urgency of need. It calculates urgency of need by determining the percentage of federally connected children eligible for payment and the percentage of unhoused children in a school district; the Department uses the sum of these percentages as the priority ranking number. This method for initially determining urgency of need appears to be equitable. However, the Department does not regularly reevaluate the project priorities of all unfunded projects. Department officials said that they have insufficient resources to do so. In addition, the Department does not obtain current information on the federal share of project costs until sufficient appropriations are available to fund the projects. Thus, information on the number of federally connected children and the estimated costs of many eligible projects that remain unfunded from year to year are often outdated when the Department develops budget estimates for the Congress and identifies projects to be funded.

- As of August 1989, we found that school districts that submitted 20 of the 58 projects in our sample had already completed the projects (see app. III). Eighteen of the 20 projects had been completed without federal assistance.[5] School district officials said that 50 percent or more of the funds used to complete the projects came from the following sources: local (14 projects) and state (3 projects). State and local sources equally provided funding for 1 project.
- School district officials that submitted 8 of the 20 completed projects said they currently do not need federal construction assistance. Officials in districts that submitted 11 of the projects told us they continue to need assistance, but for projects other than those covered by the existing project requests. For example, a Texas school district applied in

[5]School district officials could not recall the funding source(s) for 2 of the 20 projects.

1971 for federal construction funds to build an elementary school. An official of the district said that the district built this project in 1972 with local funds and that funds are no longer needed for that project. However, because of the number of federally connected children enrolled in the school district, the official said that federal assistance is now needed to build an addition to an overcrowded junior high school, but that the district has not applied for federal funds.

For 10 of the projects we reviewed, the school districts are probably eligible for less aid, if any, than indicated on the Department's priority lists. Officials in school districts that submitted five of these projects indicated that they currently have fewer federally connected children enrolled than when the districts applied for federal funds. For example, a superintendent in a Missouri school district believes that his district does not have enough federally connected children to currently qualify for school construction assistance. The munitions factories that provided employment for the parents of these children and that enabled the district to qualify for federal aid have closed since the district applied for the program in 1967.

Furthermore, the Department's estimates for unfunded construction projects in districts with Indian land, children residing on Indian land, and nontaxable federal property are understated because they reflect estimated costs in the year of application. Such projects, if funded, are funded at their current costs. For example, in 1976, an Arizona school district requested $5.6 million to construct a high school. The Department funded the project in 1982. Between 1976 and 1982, school construction costs rose about 1 percent each month, yet the Department continued to include the 1976 figure in its estimate of unfunded projects. When the Department funded the project, the federal share of the total cost was about $9 million—60 percent greater than the estimate.

Project Payments to Some School Districts Can Cover a Smaller Share of Total Costs When Funding Delays Occur

The law requires that federal payments to school districts with federally connected enrollment increases be based on a percentage of the state's average per pupil cost of school construction in the second year of the 4-year period covered by the project request. For example, federal payments would be based on 1982 costs if the increase period was 1981-84. In periods of full funding—when project requests are funded shortly after they are received—the amounts requested would most likely approximate current construction costs. However, because of funding shortfalls, 28 of the 34 projects we reviewed in this category have been

waiting to be funded for 12 years or more. During this time, school construction costs have increased substantially. If these projects are subsequently funded, the districts will receive federal payments that will cover a significantly smaller portion of the projects' total costs than they would have received if they had been funded sooner. In contrast, as discussed on page 18, projects in Indian-impacted districts and those affected by nontaxable federal property are funded at current costs and, thus, would receive federal construction payments that reflect increased construction costs regardless of funding delays.

Alternative for Funding More Projects

Public Law 81-815 requires the current method used by the Department to calculate federal school construction payments and does not authorize any other method for calculating payments or distributing funds. When appropriations have been insufficient to fund all projects, this method has provided assistance to no more than the three or four unfunded projects with the highest priority rankings on each priority list. Thus, the current method fully funds those school districts with the greatest need, leaving no funds to assist other districts with eligible projects that have lower priorities.

Distributing funds for eligible construction projects on a pro-rata basis could provide more school districts with at least some federal assistance. Such allocations could be made, for example, to those projects above a certain needs threshold determined by the Department. Available funds could be allocated based on the percentage of funds these applicants would have received if appropriations had been sufficient to fully fund the federal share of their projects.

Conclusions

While there is a gap between the Department's estimate of eligible unfunded school construction project requests and available appropriations—some $200 million as of fiscal year 1988—the Congress and the Department lack accurate information on the actual amount of the shortfall. The authorizing legislation requires the Department to validate school districts' eligibility, priority rank, and project payments when appropriations are available to fund their projects. However, because the Department does not regularly validate this information for all unfunded projects, the Department lacks current data about estimated project costs, relative project priorities, and applicants' school construction needs. As a result, the Congress and the Department do not have accurate information when making funding and other decisions affecting the program.

The law requires the Department to compute project payments to districts with federally connected enrollment increases on the basis of the state average per pupil construction costs near the time the district applied for assistance. If these projects are funded many years after the Department determined that they were eligible and construction costs have risen, the federal funds the school districts receive will cover a smaller share of the total costs than if the projects had been promptly funded.

Given the drastically reduced funding available for the school construction program, the Congress may want to reassess how assistance is allocated for school construction and examine an alternative approach for assisting eligible federally impacted school districts.

Recommendation to the Congress

We recommend that the Congress amend Public Law 81-815 to require that all federal payments to eligible school districts with federally connected enrollment increases (those eligible under section 5) be calculated on the basis of state average per pupil school construction costs in the year a project is funded.

Recommendation to the Secretary of Education

We recommend that the Secretary of Education require school districts to apply annually for school construction assistance to ensure that project requests reflect school districts' current enrollments of federally connected children and estimated school construction costs.

Matter for Consideration by the Congress

Federal funds are limited in relationship to the current backlog of eligible unfunded projects. For this reason, the Congress may want to explore an alternative way to meet the school construction needs of federally impacted school districts. Such an approach could involve allocating on a pro-rata basis a portion of the federal share of project costs of districts above a certain needs threshold when program appropriations are insufficient to fully fund all eligible projects.

Agency Comments and Our Evaluation

The Department of Education and the National Association of Federally Impacted Schools provided comments on a draft of this report. Our analysis of their comments follows. We also made technical changes to the report, where appropriate, to reflect the comments and information provided.

Department of Education

The Department of Education characterized our draft report as a useful document for the 1993 reauthorization of Public Law 81-815. The Department said that our recommendations to the Secretary of Education and matter for congressional consideration (1) highlight issues that need to be addressed and (2) may require substantial revisions to the law and its implementing regulations. The following summarizes the Department's major comments on our draft report and our evaluation. (See app. V for the complete text of the Department's comments.)

Comment 1

The Department said that (1) our recommendation to the Congress, regarding the use of current-year construction costs, did not distinguish between the basis for payments for projects eligible under sections 5 and 14 and (2) some kinds of assistance under section 5 are already based on current-year costs.

We believe that we adequately explained the difference between sections 5 and 14 school construction payments on pages 2, 18, and 19. However, to clarify the action we believe should be taken, we revised our recommendation to the Congress to specify that the change is needed to section 5 of the legislation (see p. 20).

Comment 2

The Department agreed that unfunded school construction projects should not be on its priority lists for long periods of time, but questions whether it has the authority to require school districts to annually apply. The Department said that legislative changes to sections 5 and 9 may be needed to implement our recommendation.

We believe that section 5 of Public Law 81-815 does not need to be revised to require school districts to annually submit construction project requests. Although section 5 describes the eligibility criteria and how payments are to be determined and children counted, it does not require the Department to retain eligible project requests until they are approved for payment. That is, section 5 does not state or imply that an eligible project request (pre-application) constitutes a right to payment. However, if the Secretary continues to believe that he lacks the authority to implement our recommendation, he should ask the Congress for clarification and, if necessary, the authority.

Comment 3

The Department is also concerned about the disposition of projects currently on its priority lists and whether they should be funded before an annual application process is instituted.

We believe that as many eligible projects as possible should be funded before the Department implements an annual application process. School districts whose projects the Department is unable to fund should be notified that their requests can not be funded and invited to apply in the following year, using updated costs and other more current information.

Comment 4

The Department is also concerned about the administrative burden on school districts to annually apply for assistance when their needs remain unchanged and unfunded.

School districts whose needs, pupil counts, and construction costs remain unchanged would probably be the least burdened by an annual application process. Such a district could review a copy of the application submitted the previous year, certify that the information has not changed, and request that the Department consider the application for current-year funding. However, we believe that school districts' construction needs do not remain unchanged from year to year, as the Department said. For example, on the basis of our interviews with school district officials, we found that at least 15 of the 58 construction projects in our sample were completed—without federal school construction assistance—within 1 to 5 years after the districts submitted their project requests to the Department.

The Department and the Congress should have the most current information about the school districts' construction needs before they make funding decisions. These districts probably apply annually for operations and maintenance aid under Public Law 81-874—companion legislation to the school construction program. Some of the information developed by the school districts for the Public Law 81-874 program—in particular, federally connected enrollments—could be used to complete school construction project requests. In any case, we believe that the need to update critical data concerning a district's eligibility, federal payment, and priority rank outweighs any resulting administrative burden.

Comment 5

The Department disagreed with our suggestion that the Congress consider authorizing the Department to distribute limited construction funds to school districts on a pro-rata basis. It said that such pro-rating (1) would make it difficult for school districts to award construction contracts and complete their projects with uncertain future funding and (2) could prevent school districts in subsequent years from qualifying for assistance to complete their projects.

We agree that pro-rating construction funds would not provide school districts their full federal share—as currently provided by Public Law 81-815. However, several school districts that did not receive the federal funds they requested subsequently completed their projects without any federal assistance. Some federal assistance—provided through pro-rating payments—would have helped to defray the cost of construction in these cases, and pro-rating would have spread the limited federal resources to a greater number of school districts that requested such assistance under sections 5 and 14.

We disagree that pro-rating payments would be inconsistent with our other recommendations. When appropriations are insufficient to fully fund all eligible projects, pro-rated payments would be considered the full federal payment at that time—not partial payments. This would be consistent with how the Department pro-rates payments under Public Law 81-874, through which aid is provided to federally impacted school districts for operations and maintenance. Under this program, the Department does not compensate school districts in subsequent years for the funding lost by pro-rating payments during a previous year. In addition, under Public Law 81-874, eligible school districts annually apply for assistance.

National Association of Federally Impacted Schools

The association represents school districts throughout the United States that educate federally connected children. The association reviewed a draft of this report, and its comments are included in appendix VI and summarized below.

Comment 1

The association said that the draft report failed to address the objectives as stated in the 1988 Hawkins-Stafford Amendments because we did not identify the school construction needs of federally affected school districts.

As we began our evaluation, we agreed with staff members from the offices of the Senate Committee on Labor and Human Resources, Subcommittee on Education, Arts and the Humanities, and with Senator Larry Pressler to limit the scope of our study to determining (1) the gap between eligible requests to the Department of Education for school construction funds and the amount of available Public Law 81-815 funds and (2) whether the process the Department uses for determining which projects to fund is equitable (see p. 1). We did not attempt to survey the more than 2,600 federally impacted school districts concerning their school construction needs.

Comment 2

The association expressed concern about the focus of our recommendation to the Congress to amend Public Law 81-815 to require that all federal payments be based on school construction costs in the year projects are funded.

This concern is similar to the Department's and is addressed on page 21.

Comment 3

The association, in commenting on our recommendation to the Secretary of Education to require school districts to annually reapply for construction assistance, agreed that a reevaluation process is necessary. However, the association suggested that school districts, whose eligible applications are unfunded in a current year, be required to update and, if necessary, revise their applications every 2 to 3 years.

We state that (1) school construction costs increase from year to year and (2) districts' construction needs and enrollment profiles change over time (see pp. 17-18). We found that 18 of the 58 projects in our sample were completed without federal assistance. Eight of the 18 projects were completed within 1 year after applying to the Department for assistance. Therefore, we continue to believe that the Department should require school districts to annually apply for Public Law 81-815 assistance to better ensure that funding decisions are based on current information and cost estimates.

Comment 4

Regarding our suggestion that the Congress consider alternative ways to distribute the limited school construction funds, the association believes that a pro-rata distribution would not allow eligible school districts to build the minimum school facilities they need and would result in "less than minimum school facilities."

We recognize that a pro-rated payment would provide school districts less than the current law defines as the federal share. However, as we state on page 17, some districts have constructed their facilities without the federal assistance they requested under Public Law 81-815. A pro-rated payment would have helped to defray some of the construction costs these districts incurred. Pro-rating also would result in some federal financial assistance to a greater number of school districts than is now the case.

Public Law 81-815 Eligibility Categories

This appendix describes the major sections of the federal school construction program authorized by Public Law 81-815. The Department of Education provides assistance to school districts that meet the following criteria:

Section 5

For school districts to receive federal assistance, this section requires that they have an increase over a 4-year period in at least one of the following kinds of federally connected children: (1) those whose parents live and work on federal property, (2) those whose parents live or work on federal property, and (3) those whose attendance in the district results from other federal activities, such as activities by a federal contractor. As specified by law, school districts must have an increase of

- at least 20 children whose parents live and/or work on federal property, representing at least 6 percent of the district's average daily membership during the year before the beginning of the 4-year period or an increase of 1,500 of these children, whichever is less, and/or
- at least 20 children whose enrollment results from federal activities carried on either directly or through a contractor, representing at least 10 percent of the district's average daily membership during the year before the beginning of the 4-year period or an increase of 2,500 of these children, whichever is less.

Section 8

This section authorizes the Department of Education to provide additional payments to school districts eligible under section 5 if they are unable to finance the nonfederal share of the cost of their projects or if the districts are unable to complete the projects because an emergency (for example, flood or fire) has affected either the work on the project or the districts' ability to finance the nonfederal share.

The Congress has not appropriated funds for this section since 1967.

Section 9

This section requires school districts to have an enrollment increase of the type described in section 5 for at least 1 year, but not more than 6 years.

Section 10

This section requires the Department of Education to provide school facilities for federally connected children when state or local laws preclude the expenditure of state and local funds for providing school facilities on federal property.

Section 14(A)

For school districts to receive federal assistance, this section requires that

- (1) the number of children that reside on Indian lands represent at least 33-1/3 percent of a school district's total enrollment, (2) Indian lands constitute at least 33-1/3 percent of the school district, or (3) a school district educate at least 100 children who reside on Indian land outside of the school district;
- the tax-exempt status of Indian land substantially and continually impairs the school district from financing needed school facilities;
- the school district make a reasonable tax effort to raise funds for financing school facilities and take advantage of state and other sources of financial assistance for this purpose; and
- the school district have insufficient funds available from all sources to provide classrooms and classroom equipment for 33-1/3 percent of its enrollment.

Section 14(B)

For school districts to receive federal assistance, this section requires that

- (1) the number of children that reside on Indian lands represent 10 percent of the total enrollment in the school district, (2) Indian lands constitute 10 percent of the school district, or (3) the school district educates at least 100 children who reside on Indian land outside of the school district and
- the tax-exempt status of Indian land substantially and continually impair the school district from financing needed school facilities.

Since 1970, Public Law 81-815 has required that assistance for sections 14(a) and 14(b) be given priority at least equal to that given for section 10.

Section 14(C)

For school districts to receive federal assistance, this section requires that

- (1) the number of unhoused children in the school district represent at least 33-1/3 percent of its total enrollment or (2) federal property constitutes at least 33-1/3 percent of the school district,[1]
- the nontaxable status of federal property within the district substantially and continually impairs the district's ability to finance school facilities,
- the school district make a reasonable tax effort to raise funds for school facilities and take advantage of state and other sources of assistance for this purpose, and
- the school district have insufficient funds from all other sources to provide classrooms and classroom equipment for at least 33-1/3 percent of its enrollment.

Section 16

This section authorizes the Department of Education to replace or restore school facilities destroyed or seriously damaged by major disasters. The Department can provide assistance once the school district has exhausted all other funding sources. Funds for this purpose are also available to eligible school districts under section 7 of Public Law 81-874, which provides assistance to federally impacted schools for operations and maintenance.

[1]The term "unhoused children" refers to the number of children over the capacity of the school facility.

GAO Sample of School Construction Projects Waiting for Department of Education Assistance (Fiscal Year 1988)

Table III.1: Sample Projects in Districts With Federally Connected Enrollment Increases and Nontaxable Federal Property

Department priority	Application file date	Project description	Estimated federal payment	Project status[a]
03	3/17/87	New elementary school	$1,438,000	Subsequently withdrawn
06	5/29/87	New elementary school	3,000,000	Federally funded
09	5/1/84	New elementary school	1,262,000	No work started
12	6/25/69	New elementary school	3,689,000	Completed in 1971
15	6/3/83	Remodel and add to elementary school, convert middle school to high school	113,000	Partially completed
18	6/18/69	Addition to elementary school	120,000	Unknown
21	6/24/69	New elementary school	127,000	Partially completed
24	1972	Unknown—Department lost file	2,024,000	Unknown
27	3/12/69	Educational equipment, new lockers	57,000	Completed in 1973
30	6/8/70	Unknown—project description missing	85,000	Unknown
33	11/17/70	10-classroom addition	44,000	Completed in 1972
36	6/19/68	Unknown—project description missing	145,000	Unknown
39	6/24/68	New elementary and high schools	130,000	Completed in 1986
42	6/25/69	New middle school	287,000	Completed in 1974
45	4/12/76	New elementary schools, multipurpose rooms	115,000	Completed in 1976
48	12/29/71	Junior high school addition	121,000	Completed in 1973
51	5/23/68	Unknown—project description missing	35,000	Unknown
54	6/23/71	New elementary school	39,000	Completed in 1972
57	2/8/74	Unknown—project description missing	41,000	Unknown
60	6/18/69	10 classrooms and library facilities	60,000	Completed in 1970
63	6/6/69	Remodel school lunch facilities	20,000	Partially completed
66	3/20/69	Junior high school cafeteria 41 classrooms, and vocational education shops	492,000	Completed in 1970
69	6/19/70	School addition	56,000	Completed in 1972
72	1979	Unknown—Department lost file	2,085,000	Unknown
75	3/21/69	Learning center and 5 classrooms	58,000	No work started
78	6/24/83	New roof, floor, and gym divider	200,000	Partially completed
81	6/13/67	New elementary school	130,000	Completed in 1968
84	2/16/67	New elementary school	56,000	Completed in 1968
87	6/26/67	Facilities and equipment for 4 schools	87,000	Partially completed
90	2/14/67	Addition to elementary school	69,000	Completed in 1967
93	6/21/68	New junior high school	409,000	Partially completed
96	1968	Unknown—Department lost file	785,000	Unknown
99	12/13/68	Unknown—project description missing	546,000	Unknown
102	4/18/69	Home economics classrooms, offices, adult education center, equipment	16,000	Completed in 1971

[a]Unless indicated, the Department of Education did not provide funds for these projects.

Source: Department of Education data and GAO telephone interviews with school district officials.

Table III.2: Sample Projects in School Districts With Indian Land and Children Residing on Indian Land

Department priority	Application file date	Project description	Estimated federal payment	Project status[a]
03	8/20/79	New high school	$3,500,000	No work started
06	12/31/80	New high school	14,550,000	Federally funded
09	4/26/76	New elementary school	882,000	Completed in 1988
12	6/10/85	New school (grades K-12)	4,000,000	No work started
15	5/15/86	New high school	15,835,000	No work started
18	4/21/75	Elementary school classrooms, cafeteria, offices	1,139,000	Completed in 1986
21	4/20/75	Elementary school addition	1,426,000	Partially completed
24	7/6/84	New elementary school	164,000	Completed in 1989
27	6/4/84	New high school	1,500,000	Subsequently withdrawn
30	8/1/75	Cultural center and 5 classrooms	916,000	No work started
33	6/27/75	3 elementary classrooms, special education room	90,000	No work started
36	4/17/75	New elementary school	872,000	Completed in 1982
39	3/20/78	Renovate junior high and high schools	3,711,000	Partially completed
42	1975	Unknown—Department lost file	30,000	Unknown
45	6/10/80	New elementary school	980,000	No work started
48	6/21/68	Addition—2 classrooms, vocational education shop, art room	219,000	Partially completed
51	4/23/75	Remodel high school cafeteria, build elementary school cafeteria and multipurpose room	634,000	Completed in 1976
54	12/29/71	New elementary school	1,638,000	No work started
57	1977	Remodel/add to 5 schools	1,660,000	Partially completed
60	8/12/77	Temporary classrooms, teacher housing, gym, library, and educational equipment	3,516,000	Unknown
63	6/24/68	Vocational education classrooms, teacher housing	107,000	No work started
66	4/1/74	High school vocational education area and kitchen	163,000	No work started
69	1973	Unknown—Department lost file	122,000	Unknown
72	1970	Unknown—Department lost file	286,000	Unknown

[a]Unless indicated, the Department of Education did not provide funds for these projects.

Source: Department of Education data and GAO telephone interviews with school district officials.

Description of GAO's Sampling and Data Collection Methods

This appendix describes how GAO selected the projects reviewed and collected information about them.

Sampling Eligible Projects

The Department of Education maintains two lists of proposed projects that are eligible to receive funding under Public Law 81-815—the School Construction Assistance Program for Federally Affected Areas. The first is a list of projects in districts with federally connected enrollment increases and nontaxable federal property. The second is a list of projects in school districts with Indian land and children residing on Indian land. Each list is arranged in order of the priority the Department computes for each project.

As of fiscal year 1988, there were (1) 104 projects on the list of districts with enrollment increases and nontaxable federal property and (2) 74 projects on the list of Indian-impacted districts. GAO reviewed every third project on each of these lists—a systematic sample of 34 projects from the first list and 24 projects from the second.

Data Collection Methods and Sample Disposition

To determine when each project was submitted to the Department for funding, what each project was, and the estimated federal share of each project's cost, we reviewed Department of Education data for 48 of the 58 projects we sampled. The Department could not locate the file for 6 of the projects sampled. For the 4 remaining projects, we could not distinguish the project we sampled from other projects contained in the Department's files because the files did not contain descriptions of the projects.

Two of the 48 projects that were identified in a Department file were, according to that file, subsequently withdrawn by the school district. To determine the current status of each of the remaining 46 projects, we conducted a standardized telephone interview with officials of the school district responsible for that project.[1] The interviews were also designed to collect information about a district's current construction needs resulting from its federally connected enrollment and/or the amount of federal property within the district.

[1]For example, school district officials include superintendents, business managers, and school facilities directors.

The interviews provided information about the current status of all but 3 of the 46 projects left in our sample. In two instances the school district had no record of the project. Another district refused to give us any information about a project. We conducted the interviews from June 19 to August 11, 1989.

Our review of Department files and our interviews with school district officials provided information about the current status of 45 of the 58 projects we sampled. The projects in the universe and in our sample from each of the lists, as well as the disposition of sampled projects by list, are shown in table IV.1.

Table IV.1: Disposition of Sampled Projects by Priority List

			Project status		No project status	
Priority list	Universe size	Sample size	File indicated project withdrawn	District reported project status	No department file[a]	District provided no information[b]
Federal property/enrollment increase	104	34	1	24	7	2
Indian land/children residing on Indian land	74	24	1	19	3	1
Total	**178**	**58**	**2**	**43**	**10**	**3**

[a]Includes instances in which the Department could not locate a project file or the file did not specifically identify the project sampled.

[b]Includes instances in which the school district (1) could not recall or had no record of a project or (2) refused to provide any information about a project.

Comments From the Department of Education

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE ASSISTANT SECRETARY
FOR ELEMENTARY AND SECONDARY EDUCATION

APR 27 1990

Mr. Franklin Frazier
Director of Education and
Employment Issues
Human Resources Division
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Frazier:

The Secretary has asked that I respond to your request for comments on your draft report, "Impact Aid: Most School Construction Requests Are Unfunded and Outdated" (GAO/HRD-90-90).

Thank you for providing a copy of your draft report. We have reviewed the report and find it interesting. It should also be a useful source document for the next reauthorization of Public Law 81-815. There are, however, a number of technical inaccuracies throughout the letter and in Appendices I and II. The necessary corrections have been noted on the enclosed copy of the report. Specific questions and comments by Department of Education reviewing officials have been included as Appendix IV in accordance with the Draft Report format.

Thank you for the opportunity to comment. I and members of my staff are prepared to respond if you or your representatives have any questions.

Sincerely,

John T. MacDonald
Assistant Secretary

Enclosure

400 MARYLAND AVE., S.W. WASHINGTON, D.C. 20202-6100

APPENDIX VI

COMMENTS FROM

THE DEPARTMENT OF EDUCATION

A number of technical inaccuracies throughout the letter and report have been identified and corrected. Most notable are the references to: (1) "Indian children;" (2) "enrollment;" (3) "nontaxable Federal land" as a descriptor for Section 14(c); and (4) an incorrect explanation of the factors that are used in the priority computation.

(1) Sections 14(a) and 14(b) of Public Law 81-815 address the needs of "children who reside on Indian lands." Children who reside on Indian lands are not necessarily Indian children. Neither P.L. 81-815 nor 34 C.F.R. Part 221 contains a reference to Indian children.

(2) Eligibility requirements and determinations of need for minimum school facilities are based on the "membership" rather than "enrollment" of federally connected children. By statute, the "membership" of schools is determined in accordance with State law. In the absence of State law, "membership" is determined in accordance with the provisions of 34 C.F.R. 221.5(c) which specifies the conditions for using enrollment records to establish membership for purposes of P.L. 81-815.

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(3) Nontaxable Federal land is an inaccurate descriptor for section 14(c) because eligibility for a number of P.L. 81-815 sections is based on the impact caused by Federal property. Federal property is defined in 20 U.S.C. § 635(1). That definition states, in part, "The term 'Federal property' means real property which is owned by the United States or is leased by the United States, and which is not subject to taxation by any State or any political subdivision of a State or by the District of Columbia...." Eligibility under Sections 5 and 9 of P.L. 81-815 is based on children who reside on and/or whose parent works on "Federal property." Eligibility under Section 14(c) is based on the extent of such "Federal property" and the school district's inability to finance school facilities because the presence of the Federal property has created a substantial and continuing impairment of the school district's ability to finance needed school construction that contributes to the presence in the school district of inadequately housed children.

(4) Because of limitations in the various sections of the law governing the bases for payments to local educational agencies, very few, if any, grants are based on the total Federal membership in a school district. The explanation in the draft report of the priority computation as based on the percentage of "...all federally connected...children in the district" (Emphasis added) is incorrect. In fact, the computation is based

on the number of federally connected children eligible for payment as a percent of total membership, plus the number of unhoused children as a percent of total membership, but limited to not more than two times the first percentage. (See 34 C.F.R. 221.51.) It should be stressed that priorities are computed, not "assigned."

The report generally does not distinguish between the authorizing sections of the law, either with regard to the eligibility requirements of each, or with regard to the extent of assistance available for the various sections of the Act. Some inaccuracies noted include: (1) the basis for computing a Section 5 entitlement [it is based on the State average per pupil construction cost per 20 U.S.C. 635(6)]; (2) a distinction between the eligibility requirements under Sections 14(a), (b), and (c) as specified in P.L. 81-815 and as further defined in the regulations at 34 C.F.R. Part 221; and, (3) Figure I.2 terminology is inconsistent with the law, the regulations, and published program materials. Other notations on the Draft Report are believed to be self-explanatory.

The Recommendation To The Congress suggests that payments to eligible school districts with federally connected membership be based on school construction costs in the year a project is funded. The recommendation as written is rather broad in that it does not distinguish among the various types of assistance that

are available under P.L. 81-815; nor does it seem to acknowledge that some types of P.L. 81-815 assistance (such as section 14) are already based on actual school construction costs. The draft report seems to indicate that a large area of concern is with section 5 assistance, because the Federal share of school construction projects funded under section 5 is the product of the number of federally connected children eligible for payment and the state's average per pupil cost of school construction in the second year of the four-year increase period designated in the preapplication. If this assessment of the draft report conclusions is accurate, perhaps the recommendation should reflect clearer distinctions among the various sections of P.L. 81-815 assistance. For example, one way to implement the recommendation for section 5 might be to change the statutory definition of average per pupil cost (20 U.S.C.§ 635(6)) so that some other standard besides the second year of the increase period is utilized for calculating construction costs.

In the Recommendation To The Secretary of Education, annual applications are recommended. While the Department agrees that it is not a good result to have unfunded school construction preapplications on priority lists for a long period of time, the Department is limited in what it can do to address the issue under the current statute. Again, implementation of this recommendation may also require legislative changes, particularly to section 5. For example, the membership increase eligibility

requirements and the basis for determining entitlements currently in section 5 (20 U.S.C. § 635) would clearly need to be revised in order to accommodate the annual submission of new applications for that section. Other portions of the statute, such as section 9, may also need to be revised in order to effect the recommendation. As noted above, the statutory definition of average per pupil cost may also need revision.

Several other concerns arise from this recommendation. One concern is what would happen to the current priority lists -- would they be superseded by a new annual application requirement and/or should they be funded before a new requirement is implemented. It is also possible that the statutory and regulatory priority requirements would have to be revised to take the current longstanding preapplications into account.

If appropriation levels remain relatively unchanged, several other considerations occur. One concern is that it may be a heavy burden to expect school districts to complete entire new applications annually when their needs remain unchanged and unfunded. Another concern is that while the processing of annual applications would give a more accurate estimate of the total costs of funding all applications in any given year, such a requirement would also be an administrative burden on the Department. This would be particularly true if current appropriation levels are maintained and it is not possible to

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fund all applications. One possible solution that might minimize some of these concerns, but at the same time ensure that the priority lists are not outdated, might be to have an annual modified report of anticipated membership and school facility needs.

Finally, the Department does not believe that the Matter For Consideration to give the Department the authority to reduce construction assistance on a pro-rata basis in order to fund a greater number of projects is entirely consistent with the Recommendation to the Congress. If the draft report's recommendation anticipated the annual submission of new complete preapplications and that more applications would be then annually funded at a reduced rate, it is unclear what would happen to those partially funded projects in subsequent application years. Under the current priority system, it is possible that a partially funded project would not qualify for more construction assistance based on a completely new application. Thus, implementation of the Matter for Consideration might also require legislative revisions to P.L. 81-815, including the priority requirements.

In addition, it has been the Department's experience that many districts qualifying for P.L. 81-815 assistance may not have the resources to finish funding projects on their own. The Department also believes that it would be difficult, if not

impossible, for many school districts to award construction contracts without having full funding available. In light of these circumstances, the Department generally does not believe that it would be a good result to have partially funded projects without providing some assurance that Federal assistance would be available when necessary to ensure that projects can also be completed.

In conclusion, as noted in the Department's cover letter, we believe that the recommendations in the draft report are useful in highlighting the issues that need to be addressed as the Department moves toward reauthorization of P.L. 81-815 in 1993. This is particularly true in that both the Recommendations to Congress and the Secretary of Education as well as the Matter for Consideration may well require substantial revisions of P.L. 81-815 and its accompanying regulations.

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Comments From the National Association of Federally Impacted Schools

The National Association
of
Federally Impacted Schools

815 Task Force

Response to

The General Accounting Office
Study on Impact Aid
P.L. 81-815, School Construction

Submitted on
April 23, 1990

In Section 6216 of P.L. 100-297, passed on April 28, 1988, the United States General Accounting Office was authorized to conduct a "study of effectiveness of Public Law 81-815". The parameters of the study follow:

(a) GENERAL AUTHORITY.-The Comptroller General shall conduct a thorough study of the need for financial assistance for school construction as authorized by the Act of September 23, 1950 (Public Law 815, 81st Congress). The Comptroller General shall prepare and submit a report on the study required by this section not later than 1 year after the date of enactment of this Act together with such recommendations, including recommendations for such legislation, as the Comptroller deems necessary.

(b) CONTENTS OF STUDY.-In carrying out the study required by subsection (a) of this section, the Comptroller General shall examine a representative sample of federally impacted school districts of local educational agencies. The Comptroller General shall-

(1) identify the number of children affected in each such school district;

(2) determine the type of school facility needed for such school district; and

(3) determine the estimated cost involved for building or repairing the school facility in each such district.

(c) SPECIAL CONSIDERATION REQUIRED.-In conducting the study required by this section, the Comptroller General shall give special consideration to-

(1) the eligibility criteria used for determining which federally impacted school districts are entitled to Federal funds for school construction,

(2) the criteria used for setting the priorities for approval of such applications, and

(3) the process for reevaluating the needs of previously approved applicants which are on the waiting list for funds covered under Public Law 815, Eighty-first Congress.

The 815 Task Force of the National Association of Federally Impacted Schools (NAFIS) was formed in October 1987 and is comprised of various school superintendents and administrators from across the United States. The purpose of the task force via recommendations is to improve, streamline and simplify the processes by which the Federal government, in an efficient and equitable manner, meets its obligations under P.L. 81-815 to the federally connected children served in local educational agencies. These recommendations call for more federal agency involvement, legislative changes to the law and revisions to Department of Education procedures.

The NAFIS 815 Task Force recently met to discuss the findings of the United States General Accounting Office's Draft Report regarding P.L. 81-815, School Construction.

OVERALL ANALYSIS

The task force feels that the GAO report:

1. Misses the point of the request for a study. The task force feels that the study was to determine need. The report calls for better record-keeping rather than realizing that the lack of funding is the major problem facing the program. The study clearly demonstrates unfunded needs,
2. Uses and concentrates on "old" data. The report bases its findings on certain known data only. It does not address current needs nor does it even attempt to determine the unknown needs,
3. Does not distinguish between the sections of the law which deal with: (1) eligibility requirements and (2) payment procedures, and
4. Contains certain technical errors which must be corrected.

In order to reinforce the enumerated items above, what follows is the task force's in-depth analysis and comments regarding the report.

Page 2 reads:

"Department records show that as of fiscal year 1988 the estimated funding gap was about $200 million."

1. GAO, in noting such a figure, realizes that funding is the major problem facing 815 currently yet does not include any recommendations to that end.
2. The task force concurs that the $200 million figure is probably a reflection of the need as documented on the priority lists but the task force does not believe that it is an accurate estimate of actual construction needs. The task force would like to see that Congress ensures funding, in the very least, at this level until all construction needs are met.

"The actual amount of the gap is unknown because the Department lacks the authority to periodically reconfirm applicants' eligibility and to revise outdated funding estimates."

1. The task force questions whether the Department actually does lack the authority to reconfirm eligibility despite the absence of any such wording in the law.
2. The task force also points out that the actual amount of the gap is unknown not only because all applications are not regularly updated but also feels that based on numerous discussions with LEA's that the current application process and dire lack of funds has a chilling effect on the number of those school districts which do apply for school construction.

Now on pp. 2-3.

Page 1

"The law requires that those school districts that qualify for assistance based on federally connected enrollment increases and nontaxable federal land receive payments based on construction costs at the time of application."

1. The task force views this statement as distorted since it appears to be restricted to entitlements under Section 5 only. Projects eligible under Section 5 are funded at construction costs two years' prior to application. On the other hand, projects eligible under Section 14 are based on current construction costs.

2. A clarification on the part of GAO is necessary here to distinguish between the sections of the law.

3. The task force feels that if projects are to be funded at current construction costs, the level of appropriations must definitely increase since fewer projects would be funded.

"We recommend that the Congress amend Public Law 81-815 to require that all school districts' payment be based on costs in the year the project is funded."

1. Since Section 14 payments are already based on current construction costs, the task force deems it necessary to thus significantly amend the requirements under Section 5 in order to implement this GAO recommendation.

"To ensure that the Congress and the Department have accurate information when they make program decisions, we recommend that the Secretary require school district to reapply annually for school construction assistance..."

1. This GAO statement appears to be in conflict with the Federal government's desire to reduce paperwork and lessen the burden to any entity applying for federal funds.

2. The task force recommends that the term "reapply" be clarified by GAO in order to distinguish their (GAO) desire for either a complete annual application or just an update.

3. The task force agrees that some sort of evaluation process be implemented and suggests that every 2-3 years, any school district currently on the Department's list update and if necessary revise the application on file.

4. A few questions arise when considering GAO's recommendation:

(a) what would happen to those school districts currently on priority list should an annual application be the norm? and

(b) to what other source should the school district look to when it does not get funds through 815? If local funds were already used and/or unavailable and funding via 815 is not implemented, this may cause the continuation of children to be housed in sub-standard facilities.

"To provide federal assistance to more eligible school districts and thereby reduce the backlog of unfunded projects, the Congress may want to consider authorizing the Secretary of Education to distribute available appropriations among a greater number of higher-priority projects."

1. In response to this statement, task force strongly and vehemently disagrees. The purpose of 815 funds is to build "minimum school facilities". If the practice of proration were implemented - distributing an already limited amount of dollars to more projects - less than minimum school facilities would result.

Now on p. 14

Page 12

The task force believes that the process of random sampling those school districts with projects currently on the Department's priority list, fails to even attempt to ascertain current and unknown construction needs. The sampling was limited to only those known situations and indeed, the actual need may fall far short of the report's conclusions.

Now on pp. 16-17

Page 15 - Appendix I

GAO's inclusion of charts showing projects on priority list and year of application, alone exhibits the serious underfunding of the program.

Now on p. 17

Page 16 - Appendix I

The GAO concludes that "funding priorities and construction estimates are outdated".

1. The task force believes that while priorities are not necessarily outdated certainly construction may very well be. If Congress were to adequately fund the program - the problem would take care of itself.

2. Section 5 requirements would not be affected by updating priority since this section is funded based on two years' construction costs prior to application. This is the manner in which law is written.

Now on p. 17

Page 16 and 17 - Appendix I

Based on interviews conducted by GAO with various school superintendents, few questions arose amongst task force members:

1. How were such questions posed to school district officials? Is it a valid to draw the conclusion that there is no need for minimum facilities?

2. Since school districts met need on own because of the desire to provide a good education, what sources did those school districts use? How did those school districts compensate for the lack of the Federal government to meet funding needs?

3. Although a school district no longer needed money to fund a project on the priority list had that school district received money was it aware that this money could be used to fund any facility currently needed?

OVERALL RECOMMENDATION

Because the General Accounting Office, through its study of P.L. 81-815:

1. Does not address the true problem of the program - the lack of adequate funding,
2. Fails to even attempt to determine the current and unknown construction needs,
3. Does not acknowledge the differences between the Sections of Public Law 81-815, and
4. Contains major technical errors,

the 815 Task Force of the National Association of Federally Impacted Schools requests that further consideration be given to the recommendations made in its original report of September 24, 1988.

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